Exhibit B

KPMG Letter

KPMG

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January 8, 2008

Greg Newington, CPA
Chief – Enforcement Division
California Board of Accountancy
2000 Evergreen Street
Suite 250
Sacramento, CA 95815-3832

Re: *Tax Shelter Investigation*

Dear Mr. Newington

We are writing in connection with the California Board of Accountancy's inquiry into the sale by KPMG LLP of tax shelters between 1996 and 2002. We thought it would be appropriate to present to the Board of Accountancy a description of the steps that KPMG has taken to comply with the Deferred Prosecution Agreement, and the steps the firm has taken to implement a variety of measures to enhance quality control across the firm, including our offices in California.

Compliance with the Deferred Prosecution Agreement

By way of background, we believe that it would be important for the Board to know about KPMG's compliance to date with the Deferred Prosecution Agreement (the "DPA"). As previously disclosed to the Board, in August 2005 the firm entered into the DPA with the United States Department of Justice, which fully resolved as to the firm the Justice Department's inquiry into tax shelters sold by the firm from 1996 to 2002 and related activities. The settlement also resolved the Internal Revenue Service's examination of those activities. Under the agreement, KPMG made three monetary payments to the U.S. government totaling $456 million. KPMG also agreed to implement elevated standards for its overall tax business. Pursuant to the DPA, at the end of December 2006 the U.S. Attorney's Office for the Southern District of New York asked the Court to dismiss the deferred charges against the firm without prejudice, based on a determination by the U.S. Attorney's Office that the firm (and all of its offices) had complied with the terms of the DPA. On January 3, 2007, U.S. District Judge Loretta Preska signed an Order which dismissed the charges.

Under the DPA, KPMG also agreed to oversight and monitoring by an independent monitor chosen by the Department of Justice, Mr. Richard C. Breeden, the former Chairman of the U.S. Securities and Exchange Commission. Mr. Breeden is an individual of stature and integrity, and we have been working with him since September 2005 as we execute our responsibilities under the DPA. Under the DPA, the Monitor will be in place until September 2008 (although the U.S. Attorney's Office has the right under the DPA to extend the term of the Monitor for up to 2 additional years under some circumstances).

Members of the Monitor's staff have been on-site at KPMG since late 2005. Among other things, the Monitor and his staff have:

- tested and reviewed the firm's compliance with the DPA;
- participated in hundreds of meetings, including meetings with the KPMG Board of Directors and the senior management of the firm and the leaders of the firm's tax practice relating to DPA compliance issues;
- participated in numerous meetings with the KPMG Board's Ethics and Compliance Committee and the firm's Legal and Compliance Committee;
- participated in the activities of the firm's Risk Management-Tax group, specifically with respect to implementing the formal policies and procedures developed with respect to DPA compliance;
- reviewed all training materials and guidance issued by Risk Management-Tax;
- participated in meetings with the leadership of the firm's tax practice in the firm's 6 geographic areas across the country;
- participated in the firm's internal Tax Quality Performance reviews of certain tax engagements, to ascertain whether those engagements complied with the DPA;
- monitored the activities of the firm's Washington National Tax practice ("WNT") for compliance with the DPA;

- monitored the firm's efforts to maintain and enhance a Compliance and Ethics program which fully meets the criteria set out in the United States Sentencing Guidelines;

- monitored the firm's personnel decisions in connection with the firm's process to ensure that every professional responsible for the wrongdoing described in the DPA is no longer with the firm;

- prepared and delivered reports to the Department of Justice on the firm's compliance to date with the DPA.

The firm believes that it is in substantial compliance with the DPA, and to date, the firm has not received notice from the Monitor to the contrary. (Indeed, as described above, based on information provided by the Monitor, in December 2006 the Department of Justice agreed to ask the Court to dismiss the charges against the firm.) The firm has taken the following steps, among others, to be in compliance with the DPA:

- KPMG no longer provides the tax services described in the DPA. Specifically, KPMG no longer provides, and will have no association with, the tax-shelter transactions once known as Foreign Leveraged Investment Program (FLIP), Offshore Portfolio Investment Strategy (OPIS), Bond Linked Issue Premium Structure (BLIPS), Short Option Strategy (SOS), or any variant thereof.

- KPMG does not and will not develop, sell, or implement, or assist in developing, selling, or implementing, any prepackaged tax products

- KPMG has ceased its private client tax practice. Except to the extent permitted by the DPA, KPMG will not prepare tax returns or provide tax advice to individuals.

- KPMG has ceased its compensation and benefits tax practice, excluding its technical expertise maintained within its Washington National Tax practice.

- KPMG does not provide any tax services under any conditions of confidentiality (as defined in 26 C.F.R. § 1.6011-4(b)(3)(ii)).

- KPMG does not charge or accept fees for tax services that are not based exclusively on the number of hours worked at set hourly rates. Those rates may not exceed twice KPMG's standard rates, except for the circumstances set forth in paragraph 6(f) of the DPA.

- KPMG has implemented elevated standards for issuing tax opinions and other tax services.

In addition to the steps described above, KPMG has implemented an enhanced compliance and ethics program, with a comprehensive Code of Conduct, a hotline outsourced to an independent service provider, and a strong regimen of ethics training. This program (the "Compliance & Ethics Program") is designed to be fully consistent with the criteria set forth in the United States Sentencing Guidelines and to promote a firm culture dedicated to ethical and professional excellence.

In connection with the Compliance and Ethics Program, and to establish and ensure an appropriate "tone at the top", KPMG has created a Professional Practice, Ethics and Compliance Committee of its Board of Directors. In addition, as part of the Compliance and Ethics Program, KPMG will maintain a permanent compliance office and a permanent educational and training program relating to the laws and ethics governing the work of KPMG's partners and employees. Pursuant to the DPA, KPMG professionals received appropriate training under the Compliance and Ethics Program during the first year of the DPA, and that training will continue on a regular basis, no less than annually for the tax practice and no less than every two years for other practices at KPMG.

A Current Summary of the Firm's Quality Control Mechanisms

In addition to the reforms undertaken by the firm in connection with the DPA, the firm has undertaken other efforts to reorganize its practices, and to institute new procedures across the firm to ensure that greater attention to quality control and risk assessment would be brought to bear in every engagement. The key fruits of that process, which started in 2003 and which has continued under the leadership of current Chairman Tim Flynn, are described below.

1. Separation of Risk Assessment from Operations

As described in the Statement of Facts attached to the DPA, from 1996 to 2002 the firm's Department of Professional Practice - Tax ("DPP-Tax") was a component of the tax practice and reported to tax leadership. This structure permitted tax leadership to influence decisions made by DPP-Tax or even to overrule such decisions. A little over two years ago, the firm separated its tax risk management structure from tax operations. Accordingly, today the Principal-in-charge of Tax Risk and Regulatory reports to the Deputy Chairman of the firm (who is now responsible for all professional practice matters), while the Vice Chair for Tax Services reports to the Executive Vice Chair for Operations. Decisions made by the Principal-in-charge of Tax Risk and Regulatory cannot be influenced or overruled by tax leadership.

Moreover, at approximately the same time that the firm changed the structure of its tax practice, the firm also separated its audit risk management structure from audit operations. Prior to 2002, risk management and quality control for the firm's audit practice were under the direction and supervision of the Vice Chairman of the audit and advisory services practice. That individual also had responsibility for managing the profit and loss of KPMG's audit practice. However, in April 2002, the Firm's Board of Directors reorganized KPMG's management by creating the new position of Vice Chairman of Risk and Regulatory Matters and made the individual holding this position part of the Firm's Management Committee. This new position was responsible for all aspects of the Firm's risk management, quality control, technical assistance, ethics and compliance. This position reported directly to the firm's Chairman and had no responsibility for the profit and loss of the audit and advisory services practice.

In 2005 this system was further strengthened by the segregation of Professional Practice/Risk Management from Legal and Compliance. This separation was accomplished at the top of the firm, by assigning to our Deputy Chairman, the second most senior position in the firm, overall responsibility for Professional Practice/Risk Management, and establishing both an Executive Vice Chairman position for Operations and an Executive Vice Chairman position for Legal and Compliance, each of whom reports directly to the Chairman.

As a result of these changes, KPMG's Deputy Chairman, the most senior position in the firm other than the firm's Chairman, is now responsible for firm-wide risk management, all professional practice matters, including the Department of Professional Practice, the firm's relationships with its regulators, approval of all new service offerings, and development of all methodologies and tools for providing services. The current Deputy Chairman is John Veihmeyer, who previously held other senior positions within the firm, including senior positions in professional practice and risk management. We believe that having our Deputy Chairman responsible for risk management and professional practice matters demonstrates our commitment to quality and is part of our ongoing efforts to ensure that our management structure supports that commitment.

Moreover, there are now several individuals and groups which support KPMG's Deputy Chairman in his risk management and professional practice role. These individuals and groups are described briefly, below.

Vice Chair, Professional Practice

In October 2007, the firm's Board of Directors approved the establishment of a new role at the firm—Vice Chair, Professional Practice. This Vice Chair will report directly to the Deputy Chairman, will oversee the execution of our firm's overall professional practice and risk management policies, and will be the Deputy Chair of the firm's Professional Practice Committee (described below).

The first Vice Chair, Professional Practice is Larry Leva, a partner from our New York office. Larry is well suited for this new role. He was an Area Professional Practice Partner from 2000 to 2005, he has spent three years in the firm's Department of Professional Practice-Audit and has other extensive professional practice experience, and he has been the lead audit partner on several of the firm's largest global audit clients, such as PepsiCo.

Professional Practice Committee

Formed in 2005, the Professional Practice Committee is chaired by the firm's Deputy Chairman, and the Committee's Deputy Chair is the firm's Vice Chair, Professional Practice. This Committee oversees the development and monitoring of policies and the dissemination of guidance designed to enhance the firm's professional practice, risk management and quality control process. This committee currently includes the Executive Vice-Chair of Legal & Compliance; National Partners-in-Charge of Risk Management – Audit, Advisory, and Tax; National Partner in Charge – Area Professional Practice; Area Professional Practice Partners; National Managing Partners of Audit, Advisory, and Tax; National Partner-in-Charge of Department of Professional Practice; National Partner-in-Charge of Washington National Tax; National Partner-in-Charge of Audit & Advisory Services Center; National Partner-in-Charge of Independence; and National Partner-in-Charge of Information Technology Services and the Firm's General Counsel.

Area Professional Practice Partners and Professional Practice Partners

Each of our firm's six geographic areas (Northeast, Midatlantic, Southeast, Midwest, Southwest, and West) has a designated area professional practice partner. These experienced partners provide risk management, professional practice and quality leadership and direct adherence to firm policy and professional standards within their respective areas. Their roles are to (1) support and advise the partners in their areas on client-related matters, (2) assimilate information pertaining to the professional risks of the firm, (3) provide reasonable assurance that firm and professional policies are followed, and (4) continuously review and improve firm policies.

To enhance and strengthen their roles, these partners began reporting to National Professional Practice/Risk Management leadership in 2005, rather than area operating leadership. These partners are supported in their roles by a network of audit, tax and advisory partners who serve as professional practice/risk management partners for their offices or service lines.

In 2006, we created the role of National Partner in Charge – Area Professional Practice (NPIC-APP). This role will enhance the linkage between the Department of Professional Practice, Area professional practice and risk management leaders, and our functional leadership, helping ensure efficient and effective processes to identify address and resolve professional practice and risk management issues. David Martin, a senior partner with extensive experience as an area professional practice partner, currently serves as the NPIC-APP. David is also be a member of the Professional Practice Committee and serve as a liaison with our Operations Committee.

Department of Professional Practice—Audit and Risk Advisory

DPP—Audit and Risk Advisory, a dedicated group of more than 100 partners, directors, senior managers, and other professionals, supports the firm's professionals in meeting their responsibilities in the areas of accounting and financial reporting, SEC reporting matters, auditing and attestation standards, advisory services, and independence. The mission of DPP – Audit and Risk Advisory is to serve KPMG's personnel and clients in the areas of accounting, auditing, regulatory matters, risk management, independence, and ethics and compliance. DPP – Audit and Risk Advisory satisfies this mission by providing the following services:

- Consulting with and advising our professionals on rules, regulations and policies that guide the delivery of our Audit products in the United States

- Working with standard setters and regulators (e.g. FASB, GASB, SEC, AICPA and PCAOB) as they develop new rules and regulations for our profession

- Delivering guidance and training on current accounting, auditing, regulatory, risk management, independence, and ethics and compliance topics

- Managing programs (e.g., client acceptance and continuance, practice protection, partner assignments, PCAOB and peer review inspections, and QPRP) that prevent, identify and correct situations that may result in undue risk to the Firm

- Enforcing KPMG's independence policies

DPP—Audit and Risk Advisory is organized into two groups: professional practice and risk management.

Professional Practice Group

- The professional practice group supports our audit practice by providing technical guidance to client-service professionals on engagement-related issues, developing and disseminating topic-specific guidance on emerging technical and professional issues, and consulting on and assisting with firm and individual issues pertaining to compliance with regulatory and professional standards, independence rules, and regulations.

Risk Management Group

- The risk management group consists of partners and other professionals charged with promoting quality and controlling risk through the firm's risk management processes. This group also monitors compliance with the firm's policies and procedures through coordination of internal and external quality review programs for the Audit and Risk Advisory Services practice, and is the firm's primary liaison with the PCAOB inspection team.

  DPP—Audit and Risk Advisory provides on-going real time guidance to client-service professionals to ensure quality in audit process through practice bulletins such as Professional Practice Letters, Insurance Information Bulletins, Investment Management Information Letters, Banking and Finance Information Letters, Accounting and Auditing Information Letters, and Audits of Internal Control Over Financial Reporting Bulletins. For example, DPP – Audit and Risk Advisory published 86 Professional Practice Letters ("PPL's") in 2005 and 84 PPL's in 2006, and has published more than 60 PPL's in 2007. These PPL's provide timely updates to client-service professionals on a number of professional matters, including technical updates on SEC, PCAOB, accounting and auditing considerations.

Department of Professional Practice—Tax

Washington National Tax

- Washington National Tax provides leadership and support that increases the overall quality and depth of tax services provided to clients by the firm. This group issues guidance on existing and emerging tax rules and regulations, participates in the development of firm-wide tax positions, and consults with tax professionals on client-related matters. Through these activities, Washington National Tax helps our tax professionals understand and comply with the firm's policies and procedures.

Risk Management—Tax Group

- In addition, the firm has assembled a group of tax partners and other professionals that comprises the Risk Management—Tax group. This group establishes risk management policies for tax, approves service offerings, encourages and monitors compliance with standards of practice for tax services established by the firm, the AICPA, the IRS and other regulatory, professional and governmental authorities and manages the firm's internal tax quality review program.

Legal and Compliance

In addition to professional practice and risk management, ethics and integrity are also an integral part of the firm's quality control process. Reporting directly to the firm's Chairman, the Executive Vice-Chair of Legal and Compliance, a position created in 2004, is responsible for the firm's ethics and compliance program, as well as legal affairs, public affairs and litigation strategy management and resolution. In addition to serving as the firm's Chief Legal Officer, this role also serves as Chief Compliance Officer and chairs the firm's Legal and Compliance Committee. The Ethics and Compliance Group, Office of General Counsel, Government Affairs, and Firmwide Security support this position.

Ombudsman

To help ensure the integrity of the compliance reporting process, KPMG also has an Ombudsman, whose role is to oversee the investigation, documentation, and resolution of issues involving the firm's SEC audit clients, including audits of foreign operations of those SEC audit clients of the U.S. firm. Created in 2005, the Ombudsman operates under the firm's principles of confidentiality and non-retaliation and investigates and resolves any reports filed using the Ethics and Compliance Hotline that involve an SEC audit client. In this role, the Ombudsman reports directly to the firm's Chairman.

2. New Tax Leadership and Personnel Actions

In January 2004, KPMG announced the first in a series of personnel actions and leadership changes made in response to the information learned from the hearings held by the US Senate's Permanent Subcommittee on investigations. These actions were intended to send a message throughout the firm's tax practice of the importance of focusing on quality and emphasizing risk control over revenue decisions.

Over the past three years, the firm continued to review information relating to the past tax shelter activities, as part of a process intended to ensure that every professional responsible for the wrongdoing described in the Statement of Facts attached to the DPA is no longer with the firm. This process was led for approximately two years by Judge Holmes, and was substantially completed by the end of 2006. The results of that nationwide process were reviewed by the Monitor. Under the DPA, the Monitor had the right to require the firm to terminate personnel if he disagreed with the firm's assessment of whether a partner or employee should be separated from the firm. This process played an important role in addressing the problems of the past.

3. New Quality Control Measures For Tax Opinions

Before KPMG marketed tax shelters known as FLIP, OPIS and BLIPS, a prototype tax opinion for each transaction type was reviewed internally and approved by both the firm's Washington National Tax ("WNT") practice and by DPP-Tax. However, the final opinions actually issued to clients who entered in such transactions were not subject to de novo reviews by either WNT or DPP-Tax. As a result, prototype opinions that might have been appropriate to issue under certain factual circumstances were routinely issued without due regard to the actual facts of each case.

In 2004, KPMG began to institute a new system of opinion review procedures to ensure that appropriate reviews are conducted before the firm commits to issue a tax opinion, during implementation of a transaction, and then again when the tax opinion is actually issued. Under these procedures, reviews by WNT are required in every case, both at the pre-commitment and pre-issuance stage. When significant issues are presented by the opinion, special opinion review committees are formed. Those committees consist of at least three tax partners from WNT and at least one partner from DPP-Tax. The goal of these opinion review procedures is to ensure that appropriate review is given to all tax opinions, and to ensure that the firm only issues opinions when there is a consensus of the reviewing partners that it is appropriate to issue the opinion in each case.

4. <u>Other Quality Control Checks</u>

All new engagements are now required to be submitted through the firm's KRisk review process, which is a computerized system designed to ensure that appropriate review and clearance is in place to begin work on the engagement. For tax engagements, every new engagement submitted through KRisk requires review and approval from the appropriate Area Risk Managing Partner – Tax ("ARMP-Tax"), who are specifically assigned partners from DPP-Tax. These client intake and engagement opening procedures are an important quality control check to ensure that the firm only takes on engagements that are appropriate from both a substantive and risk assessment point of view.

KPMG has always had a system of quality performance reviews ("QPRs") through which after-the-fact reviews of specific engagements are undertaken to determine whether firm procedures were followed. Recognizing that, in some cases, such reviews might not identify problems before it is too late, the firm has recently commenced a program of "in flight" reviews. The tax in-flight procedural review program is designed to monitor and review engagement teams' compliance with the following:

- Firm policies and procedures related to KRisk and client acceptance;
- Firm policies and procedures regarding the issuance of tax opinions (particularly regarding pre-commitment and pre-issuance approval requirements);
- Standards for written tax advice established by Circular 230 (and other professional standards);
- Internal Revenue Code sections 6111 and 6112 and the firm's policies and procedures related to the Investor List System ("ILS"); and
- the DPA.

These reviews assist engagement teams in identifying items at risk for noncompliance before they result in more serious issues that might result in disciplinary action. The reviews also enable the teams to comply with applicable policies and procedures, as well as to improve overall engagement performance. These reviews will also identify best practices that will assist other tax professionals in complying with the foregoing policies and procedures. Reviews are conducted by a dedicated team consisting of personnel from senior management and DPP-Tax. Partners and engagements are selected through an established process and selected partners are then interviewed by the reviewer, who will also review engagement documentation and, if the engagement has been completed, assess the appropriateness and timeliness of engagement deliverables. When the fieldwork is complete, a written report and, if necessary, a Quality Improvement Plan ("QUIP") is issued to the partner with copies to the ARMP - Tax, Business Unit Professional Practice Partner - Tax, and Principal in Charge - Tax Risk and Regulatory Matters. The partner must provide a response to items noted in the QUIP and must ensure that any proposed actions in the QUIP are carried out. The review team must prepare quarterly and annual summary reports, which are sent to the Principal in Charge - Tax Risk and Regulatory Matters.

5. Ethics and Integrity

The firm's Code of Conduct reflects the fundamental principles that are embodied in KPMG's policies and standards of ethical conduct. The Code of Conduct, which was updated in 2004 and again in 2006, underscores KPMG's commitment to professional excellence and details the values and standards of behavior expected of all KPMG partners and employees. Among its other benefits, the Code of Conduct serves as a training device to emphasize KPMG's core values. The Code of Conduct reflects KPMG's commitment to its people and its clients. The core values identified in the Code of Conduct are:

- We lead by example
- We work together
- We respect the individual
- We seek the facts and provide insight
- We are open and honest in our communication
- We are committed to our communities
- Above all, we act with integrity.

Integrity is the KPMG core value that underlies our Code of Conduct. When making a decision or following a directive, we ask ourselves:

- Does my action comply with the spirit and letter of the law?
- Is my behavior consistent with KPMG's core values and ethical or professional standards?
- Does my decision reflect the right thing to do?

- Is my decision being driven by responsible professional judgment?
- Would I feel confident that I could explain my decision if it were made public?

Partners and employees complete annual ethics training on relevant Code of Conduct topics, and each year acknowledge that they agree to comply with the Code.

Ethics and Compliance Reporting Channel

To further our commitment to integrity and ethical behavior, KPMG, through a third-party provider, maintains an Ethics and Compliance Hotline. The firm encourages use of the hotline as an alternative reporting channel when KPMG professionals feel uncomfortable reporting concerns about possible illegal, unethical, or improper conduct through normal channels. KPMG professionals and those associated with the firm in a business context, including clients, vendors, and other member firms' professionals working on engagements with U.S.-based clients, may file reports by calling a toll-free number, or by submitting a report via the Web. Additionally, any reports filed through the hotline that involve an SEC audit client are directed to the firm's Ombudsman for further investigation and resolution. Reports are handled confidentially and anonymously if requested, and retaliation or retribution of any kind for "good faith" reporting is prohibited.

Compliance Testing

The Ethics and Compliance Group is responsible for compliance testing and monitoring of key firm policy areas. To confirm our professionals' and the firm's independence, the group audited the financial investments of over 200 individuals subject to the independence requirements and performed continuous audits of the firm's portfolios in FY2005. Additionally, over 400 audits were performed to test the client and engagement acceptance process. The group also monitors compliance in areas such as firm licensing, individual licensing, and firm CPE requirements.

Client Confidentiality

KPMG's policies and Code of Conduct require its personnel to maintain the confidentiality of client or former client information, in accordance with professional standards. The firm also requires its professionals to affirm their understanding of the PCAOB, AICPA and firm rules governing treatment of confidential client information at commencement of employment, in its annual Code of Conduct affidavit, and upon promotion to the management group. The firm has enhanced its internal training programs and now requires training relating to the confidentiality of client information and data security.

* * *

We respectfully submit that the reforms and procedures described above demonstrate KPMG's commitment to quality, compliance with professional standards, and the law in each engagement.

Very truly yours,

JIL/cac

cc: Sara Narvaez-Smith
Jeanne Werner